

TOWNSHIP OF LAKE  
REPORT ON FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
YEAR ENDED JUNE 30, 2005

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name LAKE TOWNSHIP	County MENOMINEE
Audit Date JUNE 30, 2005	Opinion Date APRIL 24, 2006	Date Accountant Report Submitted to State: APRIL 24, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 617 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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April 24, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Township Board  
Township of Lake  
Menominee County, Michigan

I have audited the accompanying balance sheets of the various funds of the Township of Lake as of June 30, 2005, and the related statements of cash receipts and expenditures, and changes in fund balance for the year then ended. These financial statements are the responsibility of the Township management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Township of Lake prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the state of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles.

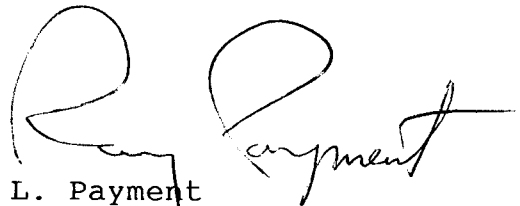
The Township has not maintained a record of its general fixed assets and, accordingly, a statement of general fixed assets required by generally accepted accounting principles is not included in the financial report.

In my opinion, except for the omission of the information mentioned in the preceding paragraph, the accompanying financial statements present fairly in all material respects, the fund balances of the various funds of the Township of Lake at June 30, 2005, arising from cash transactions and their cash receipts and disbursements for the year then ended, on a basis of accounting described in Note 1.

The financial statements referred to in the foregoing opinion are identified in the contents of this report. My examination was

INDEPENDENT AUDITOR'S REPORT (Continued)

made primarily for the purpose of rendering an opinion on these basic financial statements, taken as a whole. The supplementary financial data identified in the contents, although not considered necessary for a fair presentation of the financial position and results of operations, is presented primarily for supplemental analysis purposes. This additional information has been subjected to the audit procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation the basic financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Ray L. Payment". The signature is fluid and cursive, with the first name "Ray" and last name "Payment" clearly distinguishable.

Ray L. Payment  
Certified Public Accountant

TOWNSHIP OF LAKE  
COMBINED BALANCE SHEET - CASH BASIS  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2005

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	<u>Governmental Fund Types</u>
	<u>General</u>
ASSETS:	
Cash and certificates of deposit	\$   281 893
TOTAL ASSETS	\$   281 893
	<hr/>
FUND EQUITY:	
Fund balance	\$   281 893
TOTAL FUND EQUITY	\$   281 893
	<hr/>

See accompanying notes to financial statements.

TOWNSHIP OF LAKE  
COMBINED STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS  
ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2005

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	<u>Governmental Fund Types</u>
	<u>General</u>
CASH RECEIPTS:	
Property taxes - current and delinquent	\$ 23 223
State revenue sharing	32 842
Swamp tax	10 856
Charges for services:	
Tax collection	12 644
Interest	3 879
Reimbursements and miscellaneous	<u>1 009</u>
TOTAL CASH RECEIPTS	<u>84 453</u>
CASH DISBURSEMENTS:	
Legislative:	
Township board expenses	9 167
General government:	
Zoning	5 474
Supervisor	5 268
Clerk	5 332
Treasurer	7 670
Assessor	11 048
Elections	4 711
Township hall	5 545
Insurance	3 033
Board of review and tax roll expense	2 540
Legal expenses and consulting	14 594
Fire protection and signs	17 450
Highways and streets	<u>16 511</u>
TOTAL CASH DISBURSEMENTS	<u>108 343</u>
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ ( 23 890)
FUND BALANCE, July 1, 2004	<u>305 783</u>
FUND BALANCE, June 30, 2005	<u>\$ 281 893</u>

See accompanying notes to financial statements.

TOWNSHIP OF LAKE  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS  
GENERAL FUND  
YEAR ENDED JUNE 30, 2005

	General Fund		
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS:			
Property taxes	\$ 23 223	\$ 23 300	\$ ( 77)
State revenue sharing	32 842	33 000	( 158)
Swamp tax and C.F.R.	10 856	10 856	-
Charges for services:			
Tax collection	12 644	12 000	644
Interest	3 879	3 800	79
Reimbursements and Misc.	1 009	1 000	9
TOTAL RECEIPTS	84 453	83 956	497
CASH DISBURSEMENTS:			
Zoning	5 474	9 800	4 326
Supervisor	5 268	5 915	647
Clerk	5 332	5 800	468
Treasurer	7 670	7 869	199
Township board expenses & legal	23 761	27 701	3 940
Assessor	11 048	11 315	267
Elections and Board of review	7 251	7 500	249
Township hall and insurance	8 578	14 150	5 572
Highways and streets	16 511	20 000	3 489
Fire protection	17 450	22 103	4 653
TOTAL DISBURSEMENTS	108 343	132 153	23 810
EXCESS OF REVENUES OVER (UNDER) DISBURSEMENTS	( 23 890)	( 48 197)	24 307
FUND BALANCE, July 1, 2004	305 783	305 783	-
FUND BALANCE, June 30, 2005	\$ 281 893	\$ 257 586	\$ 24 307

See accompanying notes to financial statements.



TOWNSHIP OF LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

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**NOTE 1 - ACCOUNTING POLICIES**

Method of Accounting

The accounts of the Township have been maintained on the cash basis of accounting which omits substantially all accounts receivable, accounts payable, and accrued income and expenses. The cash basis of accounting is not in accordance with generally accepted accounting principles.

Fund Accounting

The financial activities of the Township are recorded in separate funds and account groups, categorized and described as follows:

(1) General Fund - This fund is the general operating fund of the Township. It is used to account for all financial resources except those to be accounted for in another fund.

(2) General Fixed Assets Account Group - This account group presents the fixed assets of the local unit utilized in its general operations. The Township has not maintained a General Fixed Asset Account Group.

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Township in trustee capacity as an agent for other funds and governments. Agency funds are custodial in nature and do not involve measurement of results and operations.

**NOTE 2 - DESCRIPTION OF REPORTING ENTITY**

This report includes all the funds and account groups of the Township. It includes all activities considered by the U.S. Bureau of Census to be part of the Township.

The Stephenson Area Schools is an independent district and not part of the Township of Lake. Financial data for it are not included in the financial statements of this report. However, audited financial statements for the School District are available upon request from their business office.

The Township provided a full range of municipal services contemplated by statute or character. This includes public safety, roads sanitation, health, recreation, planning and zoning and general administrative services.

TOWNSHIP OF LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005  
(CONTINUED)

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**NOTE 3 - STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - BUDGET AND ACTUAL - GENERAL FUND**

The above supplemental statement is not required in these statements because the combined statement on page 7 is detailed to the required revenue and activity level as shown in the Uniform Accounting Procedures Manual for Local Units of Government in Michigan.

**NOTE 4 - PROPERTY TAX LEVY**

The Township levies taxes on a general township law basis. The taxes included in these financial statements are the 2004 levy and are billed on a twice per year basis. See schedules on page 13 for levy breakdown and millage rates. All unpaid taxes become delinquent March 1 of the following year. The Township bills and collects its own property taxes. Township property tax revenues are recognized when collected on the cash basis. All real property taxes are turned over to the County when delinquent and personal property taxes are collected and distributed by the Township. The County used a revolving tax fund and reimburses the Township yearly for any delinquent real property taxes.

**NOTE 5 - CASH AND INTEREST BEARING DEPOSITS**

Deposits are carried at cost. Deposits of the Township are in two banks in the name of the Lake Township Treasurer. Michigan Compiled Laws, Section 124.91, authorizes the Township Treasurer to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United State government or Federal agency obligation repurchase agreement; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications,

TOWNSHIP OF LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)

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**NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS (Continued)**

which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 200 000
Non-insured	<u>81 893</u>
TOTAL DEPOSITS	<u>\$ 281 893</u>

**NOTE 6 - BUDGETS AND BUDGETARY ACCOUNTING**

As set forth in the Township Charter, the Township adopts an annual budget for the General Fund. The annual budget is prepared in accordance with the basis of accounting utilized by those funds (cash basis). The Township board is authorized to transfer budgeted amounts within and among departments. Subsequent to year-end, the board adopts an amended budget approving any transfers among departments or additional expenditures. For the current fiscal year the budgeted expenditures for the General Fund were not changed. All appropriations lapse at fiscal year-end.

**NOTE 7 - USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)

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**NOTE 8 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township purchases insurance coverage through a carrier. This plan purchases reinsurance of all risks. The Township's expense is to pay only the annual premium.

TOWNSHIP OF LAKE  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL FIDUCIARY FUND TYPES  
JUNE 30, 2005

<u>CURRENT TAX COLLECTION FUND</u>	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<u>ASSETS</u>				
Cash	\$ -	\$ 524 183	\$ 524 183	\$ -
TOTAL ASSETS	\$ -	\$ 524 183	\$ 524 183	\$ -
<u>LIABILITIES</u>				
Due to other taxing units:				
Township of Lake-				
General Fund	\$ -	\$ 31 509	\$ 31 509	\$ -
Menominee County	-	151 774	151 774	-
Intermediate School				
District	-	38 884	38 884	-
State of Michigan	-	104 318	104 318	-
Area Schools	-	197 698	197 698	-
TOTAL LIABILITIES	\$ -	\$ 524 183	\$ 524 183	\$ -

TOWNSHIP OF LAKE  
SCHEDULE OF ASSESSED VALUATIONS, TAX RATES, AND TAX LEVIES  
YEAR ENDED JUNE 30, 2005

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	<u>Lake Township General Fund</u>
Taxable value	\$ 19 063 890
Millage rate	<u>1.3727</u>
Tax levy	26 168
Taxes returned delinquent	<u>2 945</u>
Current tax collections	<u>\$ 23 223</u>

<u>Menominee County</u>	<u>Stephenson Schools</u>	<u>Intermediate Schools</u>	<u>State of Michigan</u>
\$ 19 063 890	\$ 19 063 890	\$ 19 063 890	\$ 19 063 890
<u>8.9677</u>	<u>20.3034</u>	<u>2.2984</u>	<u>6.0000</u>
170 962	226 712	43 816	114 393
<u>19 244</u>	<u>29 014</u>	<u>4 932</u>	<u>7 350</u>
<u>\$ 151 718</u>	<u>\$ 197 698</u>	<u>\$ 38 884</u>	<u>\$ 107 043</u>

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April 24, 2006

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
"GOVERNMENT AUDITING STANDARDS"

Lake Township Board  
Lake Township  
Menominee County, MI

I have audited the general purpose financial statements of Lake Township as of and for the year ended March 31, 2005, and have issued my report thereon dated April 24, 2006. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lake Township's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

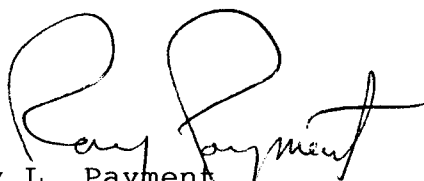
In planning and performing my audit I considered Lake Township's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a



April 24, 2006

relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Ray L. Payment  
Certified Public Accountant